

## Message Text

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PAGE 01 BERN 00743 150921Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 EB-08 INR-10 NSC-05  
CIAE-00 TRSE-00 DOE-11 SOE-02 FRB-03 CEA-01 /070 W  
-----021386 151453Z /45S  
R 0150810Z FEB 78  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 5783

C O N F I D E N T I A L BERN 743

EO 11652: GDS  
TAGS: EFIN, SZ  
SUBJ: SWISS VIEWS ON EXCHANGE RATE POLICY AND STRUCTURAL  
ADJUSTMENTS

REF: A) BERN 491; B) STATE 31572; C) BERN 701

1. DURING CONVERSATION ON OTHER SUBJECTS BETWEEN  
AMB PAUL JOLLES, DIRECTOR, DIV OF COMMERCE,  
DEPT OF PUBLIC ECONOMY, AND POL/ECOUNS KEMPE, JOLLES  
MENTIONED ISSUES COVERED REFTELS. HE SAID QUESTION  
HOW TO DEAL WITH POLICY PROBLEMS CAUSED BY APPRECIATION  
SF WAS FIRST WITH WHICH NEW FEDERAL COUNCILOR HONEGGER  
SEIZED ON TAKING OFFICE AND WAS AMONG SUBJECTS  
DISCUSSED AT HONEGGER'S FIRST MEETING WITH FULL  
FEDERAL COUNCIL.

2. JOLLES SAID SWISS REMAIN ANXIOUS SEE US TAKE  
FURTHER ACTION SUPPORT DOLLAR AGAINST SF, SPECIFICALLY  
THROUGH SALE SF DENOMINATED SECURITIES. WHAT PARTICU-  
LARLY CONCERNED HIM WAS PROSPECT US MIGHT PROPOSE THIS  
OR OTHER ACTION IN RETURN FOR SWISS PROMISE STIMU-  
LATE ECONOMY. SUCH A PROPOSAL, HE SAID, WOULD BRING  
US TO HEAD-ON CONFRONTATION.

3. POL/ECOUNS TOOK ADVANTAGE THIS OPPORTUNITY TO RE-  
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STATE POINTS MADE REFTEL B. HE EMPHASIZED FACT THAT USG  
HAS TAKEN ACTION CONSISTENT IMF OBLIGATIONS TO HELP  
RESTORE ORDERLY CONDITIONS IN EXCHANGE MARKET AND THAT  
JOLLES HIMSELF HAD ONCE STATED HE THOUGH ANNOUNCEMENT  
US INTERVENTION WOULD BE SUFFICIENT IN THIS RESPECT.

4. JOLLES RESPONDED THAT SWISS DO TRY CONTRIBUTE ADJUSTMENT PROCESS THROUGH CAPITAL EXPORTS AND BY KEEPING THEIR MARKET MORE OPEN THAN THOSE OF MANY OTHER INDUSTRIALIZED COUNTRIES TO IMPORTS OF MANUFACTURED PRODUCTS IN FACE STRONG INTERNAL PROTECTIONIST PRESSURES. GIVEN FRAMEWORK WITHIN WHICH THEY MUST OPERATE: PRESSURES IN LABOR MARKET, WHICH CAN NO LONGER BE MET BY IMPORTATION FOREIGN LABOR, POLITICAL PRESSURES FOR BALANCED BUDGET, HIGHLY LIQUID STATE CAPITAL MARKET, LACK SWISS POPULAR SUPPORT FOR ADDITIONAL PUBLIC WORKS PROJECTS, AND AN ECONOMY WHOSE GROWTH RATE DEPENDENT ON EXPORTS, THIS WAS BEST SWISS COULD DO.

5. EMBASSY COMMENT: GIVEN FRAMEWORK JOLLES DESCRIBED, SWISS ARE DOING NO MORE TO CONTRIBUTE THAN IS STRICTLY IN SWISS NATIONAL INTEREST. HOWEVER, EMBASSY BELIEVES INTERNAL PRESSURE IS GROWING FOR SWISS TO TAKE, OR AT A MINIMUM APPEAR TO TAKE, STIMULATORY ACTION. AS WE REPORTED (REFTEL C), PESSIMISTIC SWISS GROWTH PROJECTIONS PREPARED OUTSIDE GOVT HAVE SHAKEN SWISS AND THERE IS DETERMINED EFFORT UNDERWAY IN SWISS NATL BANK AND ELSEWHERE TO FIND WAYS TO INCREASE GROWTH RATE AND CAPITAL EXPORTS. WE WILL CONTINUE PRESS SWISS ON THIS. FORTHCOMING OECD REVIEW SWISS ECONOMY WILL PROVIDE ADDITIONAL IMPORTANT AND TIMELY OPPORTUNITY FOR US TO DO SO.

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\*\*\* Current Handling Restrictions \*\*\* n/a  
\*\*\* Current Classification \*\*\* CONFIDENTIAL  
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\*\*\* Current Classification \*\*\* CONFIDENTIAL

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Sheryl P. Walter  
Declassified/Released  
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